
Navy Single Process Initiative (SPI) Handbook

(Policy, Implementation, Guidelines,
and Information)



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Acquisition Reform Office

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I. INTRODUCTION

This guide provides background and "how to" information for Navy Component Team Leaders and others in the Navy community. The Single Process Initiative (SPI) is highly flexible. Team Leaders have full latitude to devise innovative practices suitable for processing contractor proposals in their assigned facility(s). This outlines the process and lessons learned from Defense Contract Management Division (DCMC), Army, Navy, Air Force, and National Aeronautics and Space Administration (NASA) participants during the first year of the initiative.

II. WHAT IS SPI?

SPI is an acquisition reform initiative designed to reduce costs associated with doing business with the Government. SPI allows block contract changes to implement common processes and replace or eliminate military standards and specifications and business requirements when they don't add value. It gives contractors the flexibility to use the most efficient business and manufacturing processes for their individual facilities and the products they produce. The goal of SPI is to reduce contract costs associated with unnecessary government oversight, and to move towards total performance based acquisition practices within DoD.

III. EXECUTIVE SUMMARY

SPI was directed by the Secretary of Defense and Under Secretary of Defense for Acquisition Technology (USD(A&T)). In December 1995, they expanded previous direction with an action memorandum for the Services and Defense Agencies to expedite transition to common management and manufacturing processes on existing defense contracts. The Defense Contract Management Command (DCMC) was designated as lead for the initiative and the Administrative Contracting Officers (ACO) given authority to negotiate facility wide contract block changes. The National Aeronautics and Space Administration (NASA) and Federal Aviation Administration (FAA) are also participating in facilities that produce products under contract for DoD, NASA, and FAA.

SPI is aimed at instituting the use of commercial processes and industry wide best practices and technologies. The focus is to allow contractors to use common processes in a facility for similar requirements where the process meets performance requirements and makes good business sense. With this initiative, DoD encouraged contractors to submit proposals for using common processes facility-wide to reduce contractor operating costs and achieve program cost, schedule, and performance benefits.

The initiative enables contractors to propose use of single processes that meet the needs of multiple Government customers. This eliminates duplicative contractor systems and processes imposed by each customer's requirements. The initiative is intended to reduce contractor costs, improve process efficiencies, reduce product costs, and improve product quality.

Contractors are finding that the Government leadership and work force are serious about reforming existing contracts to reduce the cost of developing, acquiring and maintaining defense materiel. Service component team leaders for a contractor facility are key to the technical review of contractor proposals. Although DCMC is the DoD lead in a facility for this initiative, each Service with business in the particular facility must review contractor proposals for technical acceptability. Navy Component Team Leaders must be proactive in working with the contractor, ACO, component team leaders from the other Services, and all affected Navy buying activities to coordinate technical acceptability. Modifying existing contracts requires careful analysis and consideration of the impact on program cost, schedule, and performance, including the “ilities” (e.g., quality, reliability, sustainability, maintainability). Contractor “single processes” must still meet contract schedule and all performance requirements.

Teamwork is crucial. Early Navy Component Team Leader involvement with the Management Council is critical to SPI success. Implementation requires effective communications and teamwork among affected service buying offices; the contractor, and the contract administration office. The Services, DCMC and Industry need to work as a team to make the transition to single processes.

- Each contractor proposal must stand on its own technical and business merits.
- Classified programs are handled using the proper security and management procedures.
- Subcontracts are handled according to the privity of contract rules between a prime and its subcontractors. Primes may have their key suppliers participate on the primes' management council. Some subs, likewise, have invited their primes to work directly with their management councils.
- ACOs are responsible for addressing whether consideration is due to the government for each proposed change on a case-by-case basis.

IV. BACKGROUND

The Secretary of Defense Memorandum, “[Specifications & Standards -- A New Way of Doing Business](http://www.acq.osd.mil/es/std/perry.html),” [http://www.acq.osd.mil/es/std/perry.html] made specifications and standards a major part of DoD acquisition reform. The memo said DoD must facilitate the adoption by its suppliers of business processes characteristic of world class suppliers to increase access to commercial state-of-the-art technology. Integration of commercial and military manufacturing facilities is to be used as a strategy for development of dual-use processes and products to meet defense needs at lower costs from a single, integrated commercial and military industrial base. To assist in this integration, the Secretary directed the elimination of restrictive specifications and standards, use of performance specifications, reduction of direct Government oversight, and other aspects of reform that focused primarily on new acquisitions. The benefits of these changes will not be fully realized until action is taken on existing contracts that include requirements for compliance with military specifications and standards, often with multiple, burdensome requirements for similar processes in a contractor facility.

Existing contracts from the three Services and different Government agencies buying from a particular contractor facility have often imposed different requirements for similar manufacturing and management processes. This can increase costs, burden contract management and administration, and result in overlapping and/or non-value added requirements. Under SPI, the intent is to allow contractors to adopt common processes/commercial practices on a facility-wide basis capable of meeting each customer's requirements. The objective is to allow contractors to use their best, most efficient practices; thereby eliminating non-value added requirements and reducing costs.

V. POLICY AND GUIDANCE SUMMARIES

A review of the DoD policy and guidance leading to and implementing SPI is helpful in understanding the evolution of this process.

A. The Under Secretary of Defense for Acquisition and Technology (USD(A&T)), Memorandum, "Use of Commercial Quality System Standards in the Department of Defense (DoD)," February 14, 1994, stated that efforts to merge the Defense and private sector industrial base require increased use of commercial standards and recognition of contractor quality systems. Offerors should be given the opportunity to use their normal quality systems, whenever they meet acquisition needs, whether they are modeled on military, commercial, national, or international quality standards. The policy is now incorporated in DFARS 246 and DoDI 5000.2. The intent is to improve process capability, process control, and product quality to lower cost while endorsing a single quality system in contractor facilities.

B. Secretary of Defense Memorandum, "[Specifications & Standards -- A New Way of Doing Business](http://www.acq.osd.mil/es/std/perry.html)," June 29, 1994, [http://www.acq.osd.mil/es/std/perry.html] directs changes to facilitate the adoption by DoD suppliers of business processes characteristic of world class suppliers. Greater use of performance and commercial specifications and standards is one of the most important actions that DoD must take to ensure we are able to meet our military, economic, and policy objectives in the future.

C. USD(A&T) Memorandum, "Pilot Program to Evaluate/Demonstrate the Concept for a Single Quality Process in a Contractor's Facility," April 24, 1995, laid a further foundation for "Use of Common Processes at Contractor Facilities," August 14, 1995. USD(A&T) endorsed the significant potential to achieve cost and schedule benefits, and improve quality, from maximum use of common processes for all programs in a contractor facility. A Joint OSD/Service/DLA-DCMC/NASA Steering Group was established. To ensure all interested contractors were aware of the initiative, it was announced in the Federal register and Commerce Business Daily.

D. Secretary of Defense Memorandum, "[Common Systems/ISO-9000/Expedited Block Changes](http://www.acq-ref.navy.mil)," December 6, 1995, [http://www.acq-ref.navy.mil] directed that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such

changes are technically acceptable to the Government. USD(A&T) was tasked with issuing guidance necessary to replace Government-unique requirements in existing contracts with uniform requirements within the contractor's facilities.

E. USD(A&T), Memorandum, "[Single Process Initiative](#)," December 8, 1995, [<http://www.acq-ref.navy.mil> directed use of an expedited, streamlined approach to evaluating contractor's proposals for single processes. The general roles and responsibilities for a 120-day process was defined for accomplishing "block changes" to existing contracts. DCMC ACOs were given the authority to negotiate and execute block change class modifications after appropriate consultation with program managers. On December 12, 1995, he also wrote to the CEOs of the thirty five top defense companies and three industry associations to request their support for the initiative.

F. Defense Contract Management Command (DCMC) Commander, Memorandum, "[Adoption of Common Processes at Defense Contractor Facilities](#)," December 11, 1995, defined DCMC roles and guidance for the block change process. It established a Block Change Management Teams to manage and facilitate the block change process and refine guidelines for processing/negotiating block changes. ACOs used a draft standard letter to encourage their contractors to submit common process concept papers.

G. DoN Memorandum, "Single Process Initiative Impacts on Future Competition", [www.acq-ref.navy.mil] provides recommended contract language to encourage use of SPI within the context of new procurement source selection criteria.

H. USD(A&T) Memorandum, "[Prime and Subcontractor Relationships in the Single Process Initiative \(SPI\)](#)," September 3, 1996, [<http://www.acq-ref.navy.mil>] provides additional guidance on SPI implementation for participating contractors who are also subcontractors.

I. Defense Standardization Improvement Council (DSIC) Memorandum, "[Changes to Process Standards Canceled Without Replacement on Existing Contracts Under the Single Process Initiative](#)," identifies contractor options for submitting SPI Concept Papers for canceled process standards:

- ⇒ Replace with a product performance requirement
- ⇒ Replace with a non-government standard
- ⇒ Replace with a contractor-defined process
- ⇒ Delete a canceled specification or standard from the contract without replacement

J. NASA is participating in SPI with DoD. The NASA Administrator endorsed the single process initiative and provided guidelines in a Memorandum, "[Acquisition Reform: Single Process/Block Changes](#)," May 17, 1996 [http://www.dcm.dcrb.dla.mil/spi/SPI_POL/nasa3spi.pdf]. He instructed NASA program managers and contracting officers to participate with DoD in the initiative and authorized DCMC to issue contract modifications implementing block changes for affected NASA contracts once agreement on a single process has been reached with NASA buying offices.

K. FAA Acquisition is also participating in SPI. The Associate Administrator for Research and Acquisitions, Memorandum, "[FAA Participation in Single Process Initiative/Block Change Process](http://www.dcmc.dcrb.dla.mil/spi/SPI_POL/faaspi.pdf)," January 22, 1997 [http://www.dcmc.dcrb.dla.mil/spi/SPI_POL/faaspi.pdf], said FAA is cooperating for the development and acceptance of beneficial single processes in facilities that produce products under contract for the FAA, DOD and NASA. FAA's goal is to eliminate unique processes or systems required by the material and acquisition organizations of the agency. However, provisions of Code of Federal Regulations and other FAA regulatory responsibilities regarding design, production, and airworthiness certification of aircraft, products, and parts are not included. The FAA maintains independent plant cognizance and the cognizant FAA integrated product team (IPT) for the contract participates in the management council as appropriate to review proposed single process changes.

L. DCMC Single Process Initiative Information Sheets. The DCMC has been issuing SPI Information Sheets to assist understanding the SPI and Block Change process. DCMC [SPI Information Sheets](http://www.dcmc.dcrb.dla.mil/spi/INFO/Spi_info.htm) [http://www.dcmc.dcrb.dla.mil/spi/INFO/Spi_info.htm] can be found on the DCMC SPI World Wide Web home page.

VI. SPI PROCESS

A. **Process Overview.** SPI calls for contractors to voluntarily submit proposals for facility-wide processes. The USD(A&T) guidance memorandum outlines a nominal 120-day block change process, described and shown below, for development, review and negotiation of these proposals. The process is built on existing structures within the components and OSD and is designed to create a sense of urgency in the approval process for streamlining of specifications, standards or other processes.

1. The 120-day process was developed as a guide by the USD(A&T). In practice, the process steps will vary between facilities depending on the organization and procedures implemented by the local SPI Management Council.
2. To the extent practical, Component Team Leaders, Administrative Contracting Officers (ACOs), and the contractor should work to meet the 120-day cycle time goal set for review, initial acceptance, approval, and negotiation of contract block changes for contractor Concept Papers. The expeditious implementation of technically acceptable single processes can significantly decrease the costs of contract performance and minimize costs associated with implementing single, facility-wide processes.
3. DCMC Contract Administration Offices report the status of individual processes to HQ DCMC for tracking purposes. The DCMC SPI database is updated weekly. It contains POC information for each facility and the status of individual processes submitted at each contractor facility. Navy Component Team Leaders may obtain the status on their processes in the database from their SYSCOM SPI POC. Key dates tracked in the database are:

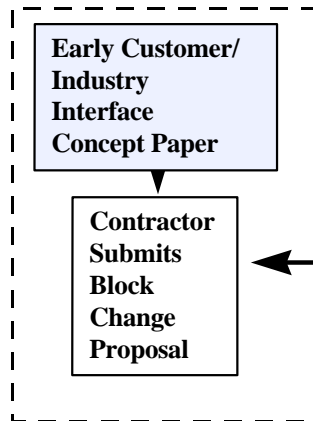
- ⇒ Submit Date. Date concept paper submitted by the contractor.
- ⇒ Accept Date. Date process completes “30-day” Proposal Development phase.
- ⇒ Technical Review Date. Date process completes “60-day” Approval phase.
- ⇒ Modification Date. Date process completes “30-day” Contract Modification phase.

C. SPI 120-Day Process. The 120-day block change process has three basic steps. Step One [see Block Change Process Flow Chart] is the identification of proposed common processes that are candidates for implementation across the contractor’s facility. These proposed common processes are documented in "Concept Papers" which are brought before the local SPI Management Council. Step Two [see Block Change Process Flow Chart] is the joint evaluation and approval of these Concept Papers by the Management Council with agreement of affected programs. Step Three [see Block Change Process Flow Chart] is the execution of a Block change modification to implement the approved processes across all applicable contracts. Buying offices should get involved as early as practical in Management Council deliberations to help expedite the 120-day block change process.

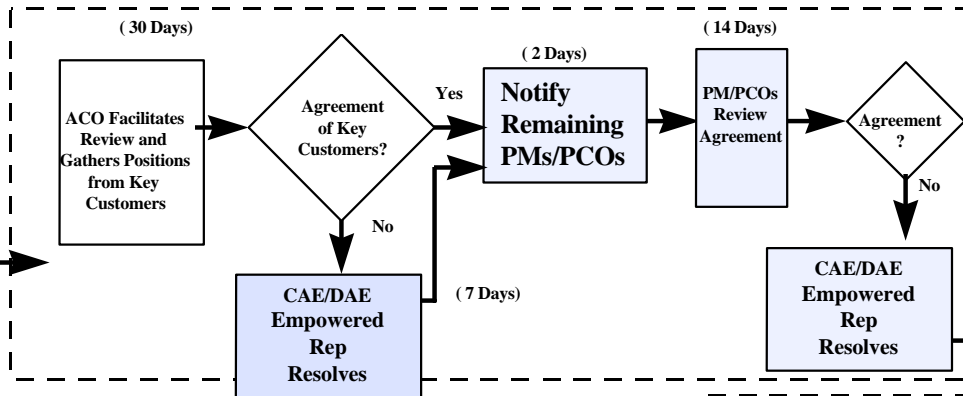


Block Change Process

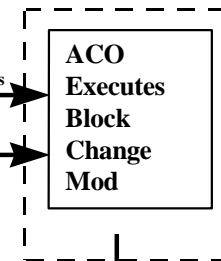
Proposal Development 30 Days



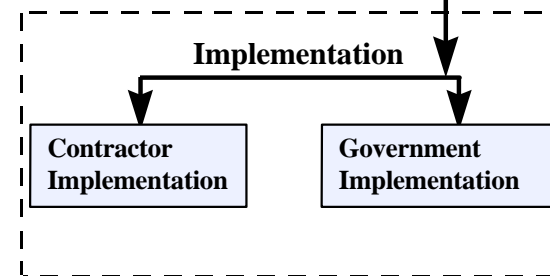
Approval 60 Days



Contract Modification 30 Days



Block Change Process Cycle: 120 days
(proposal receipt to issuance of block change)



Implementation

**Process Builds on Existing
Organization Structures**

Step 1 – Proposal Development. Once a contractor has committed to participate in SPI, the first step is to assess areas where there is potential for adaptation of a common or single process. Early involvement of the local DCMC, DCAA, customers and the Management Council will facilitate preparation and later review and approval of proposed changes. Candidates for conversion to single processes can be found by assessing contractual requirements, including all military specifications and standards, and identifying differing requirements that are imposed on existing contracts by different customers for the same management and manufacturing processes. The most frequent proposed process changes have been for the quality system, electronic manufacturing, configuration management, calibration standards, material review, cost data reporting, military soldering, subcontractor approval, property management, and test requirements.

Once process changes are contemplated, joint working level meetings of subject matter experts representing all parties have been able to address the issues, reach mutual understanding and consensus on the more significant process changes. Investing more time up front to address all needed information and jointly develop Concept Papers with key customers has significantly shortened the time for approval of Concept Papers by the Management Council.

The contractor is responsible for formal preparation and submittal of concept papers. As a minimum, the proposals should detail the proposed processes and associated metrics, rough order of magnitude cost benefit analysis, the consequent changes in government's involvement in the process and required regulatory/contractual changes. A definitive Concept Paper includes elements needed to effectively evaluate a proposed change and allows for rapid assessment by the customers, Management Council, and ACO. The format may vary from contractor to contractor and the data required can be tailored to meet the needs of the local Management Council. In practice, Concept Papers are generally 2-5 pages in length. Following are common data elements found on Concept Papers:

- (1) Process Title and Assigned Sequence Number – A discrete subject title and sequentially numbering Concept Papers facilitates tracking.
- (2) Proposed Process Description – a summary description of the recommended process change.
- (3) Existing Process Description – a summary description of the existing process requirements imposed by customers is useful for comparative analysis to the proposed change.
- (4) Implementation Approach – the methodology for moving to the proposed common process and a schedule for transition. Understanding how the contractor proposes to maintain quality and his approach to scheduling the implementation of the new process is essential to ensure performance and requirements are maintained during the transition period.
- (5) Rough Order of Magnitude (ROM) Cost Benefit Analysis – a ROM estimate of current and future net cost savings to determine if implementation is advantageous (cost effective) to the

Government. Net cost savings are referred to as there may be initial costs associated with implementation.

(6) Risk – identify the risks associated with implementing the process change to both the contractor and the Government.

(7) Waivers Required – identify any Federal Acquisition Regulations (FAR) or regulatory waivers necessary to allow for implementation of the process change.

(8) Programs/Contracts Impacted – identify the customer programs with contracts that are likely to be effected by the process change. Include all prime contract numbers if they can be identified at the time the Concept Paper is developed. The contracts listed should include candidate Government contracts for change implementation on which the contractor is a subcontractor, with the applicable prime contractor named, the subcontract number, and the cognizant ACO.

(9) Points of Contact – identify names and phone numbers of the contractor and DCMC subject matter experts or focal points that can be contacted to address technical questions regarding the proposed process change.

Step 2 – Approval. Once a Concept Paper is formalized, the contractor will submit it to the ACO for review and evaluation. The ACO determines the contractual/regulatory scope of change, confirms the component customer base impacted and, if required, organizes a local management council based on the nature of the proposal. The ACO distributes the Concept Paper to all customers and the local SPI Management Council members, requesting review, comments, and concurrence.

A Concept Paper can be characterized as a concise executive summary. As such, it will not address every detail, answer every question, nor include the contractor's operating procedures or written internal policy manuals that may be associated with a new process change. When key customers have been involved in the development of the Concept Papers then the review and evaluation process has been completed in an expedited manner. All concurrence from Navy customers should be provided directly to the ACO. Questions can be directed to the subject matter expert points of contact shown on the Concept Paper. Navy customer concerns and issues must be forwarded to both the ACO and the Navy Component Team Leader.

The USD(A&T) process provides for resolution of issues. The objective is to resolve disagreements, facilitate consensus, elevate and resolve issues of substantial concern. If there is disagreement between the PM or other customers within a component, the issue is raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue is raised to a level within the Department as designated by the Defense Acquisition Executive (DAE). Once resolved, the ACO executes the change.

The Navy Component Team Leader is responsible for resolving issues and differences between Navy customers for approval of Concept Papers, proposal evaluation issues, and block change

modifications. The Navy Component Team Leader has the responsibility to resolve disagreements between affected Navy customers and to develop the Navy position on disputed issues. When problems, concerns, or issues impede progress, the Navy Team Leader should immediately notify his SYSCOM POC of the issues to help facilitate resolution.

If there is disagreement among Service Components, the issue must be raised to a level within the Department as designated by the Defense Acquisition Executive (DAE). The Navy Component Team Leader must elevate the issue as soon as possible through the DoN Acquisition Reform Office (ARO) to the Navy Acquisition Reform Executive (ARE), for resolution. From DCMC's perspective, only 80% of the key customer base needs to be involved in the management council, however DoN policy is that all Navy programs must be in agreement or the issues escalated for resolution before a block change is approved.

Some proposed changes may necessitate that a contractor submit a proposal in addition to a Concept Paper. In the SPI process flow chart and in several SPI policy and guidance documents there are references to the contractor's submission of a proposal. In most cases the contractor does not need to prepare a separate proposal. If a Concept Paper documents no cost savings associated with the instant contracts, then the Concept Paper is the "proposal," and the block change modification will be executed based on the Management Council's approval of that Concept Paper.

Future cost savings will be incorporated into the forward pricing rates the contractor uses for bidding on new solicitations. There have been instances however where the Concept Paper has identified instant cost savings for existing contracts at the facility. In this case the contractor will prepare a proposal, which will include both the technical content of the Concept Paper(s), cost and pricing data to substantiate the proposed cost savings associated with the proposed processes, a list of the existing contracts for which the savings are applicable, etc. The ACO will make the determination relative to the requirements of the proposal and the extent to which cost and pricing data is required. Where there is a proposal submitted subsequent to the approval of Concept Papers, Service customers will be provided a copy of the proposal from the ACO requesting review and evaluation inputs. DCMC and DCAA will have primary responsibility for evaluation of proposed costs, rates and factors; while the Service customers normally focus their evaluation on the technical aspects of the proposed process changes. Navy customer proposal evaluation inputs will be submitted directly to the ACO.

Step 3 – Contract Modification. With Concept Papers approved and proposal evaluation completed (if applicable), the final step in the process is for the ACO to execute the Administrative Block Change Modification. Some contract modifications may require consideration from the contractor for the proposed changes. DCMC SPI-IS 96-3, "Consideration as it Applies to the Single Process Initiative," provides a summary of the ground rules for obtaining consideration in those cases where instant contract savings are proposed by the contractor. Several key points are noteworthy for Navy customers and Component Team Leaders on this subject. First, consideration to the Government may apply if instant contract cost savings are identified by the contractor for existing contracts. In most cases Concept Papers result in

future savings for new awards. Second, where instant contract cost savings are proposed, there will be a proposal submitted and a process whereby the ACO will be negotiating for consideration in the form of additional goods, services (non-monetary) or adjustments to contract prices.

In practice, the basis for determining each Service customers' share of this consideration has been based on the amount of Unliquidated Obligations (ULOs) associated with the applicable contracts as documented in the DCMC database. Third, where consideration is offered in terms of goods and services, the Navy Component Team Leader is responsible for coordinating with Navy customers to establish the priority list of goods and services and what contracts to which these savings apply. The Navy priority list is provided to the ACO. Be cognizant of the fact there are legal implications in dealing with this issue. Care must be given to preclude the augmentation of appropriations (i.e., Miscellaneous Receipts Act, 31 U.S.C. 3302(b)), to ensure that consideration is applied back to the existing contracts that generated these savings. A further aspect for consideration relates to the restrictions from using credits to expired appropriations to acquire additional goods and services (i.e., Bona Fide Needs Statute, 31 U.S.C. 1502(a)). Fourth, the ACO will manage the process of consideration in support of SPI Management Council and the process for handling consideration is complex. For this reason, it is essential that PCOs be kept fully informed when participating in SPI.

The ACO may provide copies of the draft block modification to SPI Service customers for final coordination. The block modification will identify the process changes to be implemented, the applicable contract numbers of the existing contracts that are affected, the facility locations to which these processes are applied, and the terms of any equitable adjustment (consideration) that has been negotiated (only where there are instant contract savings realized). Executing this single modification will incorporate the new processes into all affected contracts without the burden of individually modifying every contract. Although copies will be provided by the ACO, Navy customers ensure that their PCOs receive a copy of the block modification. In those cases where there is an equitable adjustment (consideration) to selected contracts, the ACO will issue an Administration Contract Modification for each of the affected contracts to incorporate the applicable consideration. The PCO involvement in this process is essential. Having incorporated the process changes in the contracts, the final implementation of the common processes can be achieved.

VII. MANAGEMENT COUNCILS

A. DCMC Management Councils. USD(A&T) designated DCMC as the lead Government activity for implementing plant-wide changes to common or single processes. At each contractor facility, this responsibility is carried out by the local DCMC plant or area office. The local CAO establishes a management council at the contractor's facility. This council is chaired by the local DCMC Commander. The Management Council handles the receipt, evaluation, and acceptance of Concept Papers, that describe common processes the contractor proposes to adopt on a

facility-wide basis. Early participation by major buying activities helps accelerate proposal development and review.

B. *Management Council Membership.* The management council should be comprised of senior level representatives from the local Contract Administration Office (CAO), the cognizant Defense Contract Audit Agency (DCAA) office, the contractor, an SPI Component Team Leader from each Service, affected NASA Centers, subject matter experts representing the key customers, and representatives from customer organizations that have active contracts at that facility. Nominally, the key customer base is comprised of customers who represent 80% of the total dollar value of affected contracts. Key customers (e.g., PMs, buying activities) with significant contract activity at the facility will normally already have a working relationship with the local DCMC office prior to SPI Management Council activities. While the Management Council is convened to reach consensus on block changes, it is important to note other actions and topics may be brought before the Council as well. Since this is an integrated team with customer, contractor, and DCAA representation, the forum is commonly used to address other CAO activities. Management Councils also cover DCMC Reinvention Laboratory activities, Process Oriented Contract Administration Services (PROCAS), and other contract administration activities of mutual interest to DCMC customers. They also coordinate and integrate review/audits among government customers at their facilities to share results among government customers to streamline and reduce the cost of the oversight process.

C. *Roles and Responsibilities.* The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of subject matter experts from the key customer base is critical. To minimize delay, a component team leader should be designated and granted decision authority by the Component Acquisition Executive (CAE) to represent the key customer base. Component team leaders are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members, and the CAE. The CAO is responsible for facilitating and leading the management council. The ACO has the contractual authority to execute all block changes. The Block Change Process Overview figure above shows the decision process along with timelines expected of this streamlined process.

VIII. DoN SINGLE PROCESS INITIATIVE ROLES AND RESPONSIBILITIES

A. Administrative Contracting Officers (ACO) in DoN supervised Contract Administration Offices (CAO).

1. The Administrative Contracting Officer shall act as the primary government administrative coordinator and interface with industry informing and advising contractors on how to prepare and submit initial concepts and more detailed proposals (if required) for the single process initiative. The ACO shall encourage contractors to prepare initial concepts specifying those processes that are candidates for facility-wide application, describing the impact on the present system (contracts, program offices, and/or buying offices affected), and providing a cost-benefit analysis adequate to determine the rough order of magnitude of

the costs and benefits from the proposed system changes. The ACO shall initially notify the key DoN customers when a contractor volunteers to participate in the process. Key customers are notionally defined as those who represent 80% of the total dollar value of affected contracts at the contractor's facility. The Naval Nuclear Propulsion Program is hereby designated a key customer for any concept papers or proposals affecting contracts for components and systems used in Naval nuclear propulsion plants. The ACO shall obtain Naval Nuclear Propulsion Program concurrence for any proposed actions in those cases.

2. When a contractor volunteers to participate in the single process initiative, the ACO shall organize a management council and request from the DoN Program Office having the largest contract dollar value at the contractor's facility that an individual be designated as the DoN team leader. The DoN team leader will be appointed in writing by the Acquisition Reform Executive and shall be identified to all DoN customers by the ACO. The management council shall be chaired by the ACO with participation requested from senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA), the contractor, and the DoN and other component team leaders. The contractor shall be a non-voting member of the management council. The management council shall perform an initial review of the adequacy and reasonableness of the contractor's single process concept for a specific facility. Technical feasibility, cost effectiveness, program risk, and risk mitigation are elements that should be initially addressed by the contractor.

3. The concept cost-benefit analysis shall be performed without requesting certified cost or pricing data. The detail included in the concept and cost analysis shall be sufficient to allow an informed, rapid judgement by the management council on whether proposed changes to the contractor's management and manufacturing processes can be approved on a block change basis. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor may be asked to submit a proposal for an equitable adjustment and to submit separate, detailed cost data in support of the proposed amount. ACOs are authorized to proceed with modifications resulting in significant cost decreases without delaying to complete negotiation of equitable adjustments.

4. The ACO shall work with the component team leaders and the contractor to achieve preliminary consensus on the concept. The management council shall determine the amount of detail required to be included in the contractor's single process proposal (if required) including impact, risks, and benefits both to the government and the contractor. The single process proposal shall be reviewed and approved by the management council prior to the issuance of block modifications to existing contracts by the ACO.

5. In those cases where non-DoD departments or agencies have contracts administered by a CAO, ACOs are not required to include non-DoD agency contracts in the single process initiative agreement. The CAO shall bring to the attention of the non-DoD departments and agencies that single process initiative concepts or proposals have been submitted by the

contractor for DoD contracts and should encourage the cooperation and participation of the non-DoD agency.

6. Prime contractors should be encouraged to identify in their concept papers candidate government contracts for change implementation on which they are subcontractors. When this occurs, the ACO receiving the concept papers shall ensure the DoN program manager/buying activity for every prime contract so identified is notified as part of the technical review of the change by the DoN team leader. The ACO shall inform the DoN Team Leader when either a contractor or subcontractor volunteers to participate in SPI. The review of the impact of the changes on these subcontracts and prime contracts shall occur concurrently with the normal block change review.

When a process change is approved in which the requester is a subcontractor:

- a. If a government contract must be changed to modify a requirement, the ACO may send the request for contract modification to the cognizant prime contractor ACO along with an assessment of cost or savings. The prime contractor ACO should modify the contract.
- b. If the government contract does not require modification because the requested subcontractor change is a prime contractor requirement only, the subcontractor should be advised to request the change from the prime contractor, without further DoN participation.

None of the actions taken by the ACO should in any way relieve a prime contractor of assuring its subcontractors meet the prime contractors' requirements.

B. System Commanders, Program Executive Officers, Direct Reporting Program Managers .

1. System Commanders, Program Executive Officers, and Direct Reporting Program Managers are responsible for the effective and timely implementation of the Single Process Initiative where it impacts contracts under their Command.

This responsibility includes:

- a. Ensuring that adequate resources are available for the review and approval of contractors' SPI concept papers and proposals. This includes resources for the review and approval of concept papers that are submitted by a contractor having a subcontractor relationship with a program office under their Command.
- b. Ensuring that the DoN Team Leaders assigned under their Command are adequately trained in and familiar with current SPI procedures and policy.

c. Facilitating the resolution of issues and problems affecting contracts or subcontracts under their Command that are identified as impacting progress in the review and approval of SPI concept papers and proposals.

d. Proactively encouraging participation in SPI of those contractors who are not active in SPI implementation.

e. Reporting on SPI activities under their Command during the quarterly Service Acquisition Executive metrics briefings.

2. The Program Office having the largest contract dollar value shall nominate a senior member of the acquisition workforce as the DoN team leader representing the DoN customers on single process initiative issues at a specific contractor's facility. The Program Office shall obtain concurrence with the nomination of the DoN team leader from the applicable System Commander, Program Executive Officer, or Direct Reporting Program Manager, and shall coordinate with other key DoN customers. The DoN team leader nomination shall be submitted to the Acquisition Reform Executive for appointment in writing. Any non-concurrence with the nomination shall also be submitted to the Acquisition Reform Executive, with appropriate justification and recommendations for an alternative DoN team leader.

3. Notwithstanding any responsibilities assigned as described in this memo, appointment of a DoN team leader does not relieve Program Managers from accountability for ensuring single process initiatives do not adversely impact programs under their cognizance. System Commanders, Program Executive Officers, or Program Managers can appeal any single process proposal decision being considered by the DoN team leader to the Service Acquisition Executive via the Acquisition Reform Executive.

C. DoN Team Leader

1. The DoN team leader shall represent the DoN customers that have a prime contractual relationship and subcontractor relationship with contractors submitting SPI concept papers and has the authority to make decisions on all issues related to the review and approval of single process concepts and proposals submitted by a contractor for a specific facility. For any contractor concepts or proposals affecting components or systems used in Naval nuclear propulsion plants, Naval Nuclear Propulsion Program concurrence shall be obtained prior to approval of the concepts or proposals.

2. Designating DoN leadership for the single process initiative is meant to streamline the review, data gathering, and negotiation process. The 120 day process cycle identified in reference (c) is intended as a goal for the issuance of a block change modification from the time of receipt of a contractor's proposal for a single process change. The 120 day schedule is only achievable if the proposal submitted is of sufficient detail to expedite discussions and resolution. Incremental implementation of single or multiple process changes involving a

multitude of complex issues may be appropriate. It may be advisable to defer the approval of block change items requiring additional research or resolution if the effort required for any individual change delays implementation of most of the changes. Timely use of sound technical, business, and programmatic judgement must prevail in the implementation of the single process initiative.

3. The DoN team leader shall request assistance, as necessary, from subject matter experts or expert team members from the Systems Commands, Program Executive Offices, or Program Offices. These subject matter experts or expert team members shall review and provide comments and recommendations on the acceptability of the single process concept and proposal.

4. The DoN team leader shall brief, solicit recommendations from, and achieve consensus with the other affected DoN Program Managers and buying activities on the acceptability of the single process concept and proposal. The DoN team leader shall provide sufficient details of the concept and proposal to the affected DoN Program Managers and buying activities to allow an assessment of the impact on their programs and deliverables. The DoN team leader is also responsible for facilitating consensus with the other component team leaders.

5. The DoN Team Leader shall notify the appropriate System Command, Program Executive Office, or Direct Reporting Program Management office when an issue or problem affecting contracts or subcontracts under their command is identified as impacting progress in the review and approval of SPI concept papers. When consensus cannot be reached on the acceptability of the contractor's single process proposal within the DoN Program Offices and buying activities, the DoN team leader shall present the disputed aspects of the proposal to the Acquisition Reform Executive who shall facilitate a review and decision by the Service Acquisition Executive.

6. When consensus cannot be reached on the acceptability of the contractor's single process proposal with the other component team leaders, the DoN team leader shall present the proposal to the Acquisition Reform Executive who shall facilitate a review and decision by the Service Acquisition Executive. The Service Acquisition Executive decision shall be the DoN position when the proposal is presented for review and decision by the Defense Acquisition Executive designee.

D. Acquisition Reform Executive (ARE).

1. The ARE shall appoint the DoN team leader in writing. Appointments shall designate the DoN team leader as the authority responsible for concurrence for DoN programs of single process block modification changes at a specific contractor facility.

2. When the nomination of the DoN team leader is appealed by the System Commanders, Program Executive Officers, or Direct Reporting Program Managers, the ARE may consider the appointment of alternative DoN team leaders, or even co-leaders in exceptional cases.

3. The ARE shall directly participate in the review and provide a recommendation for approval of single process proposals to the Service Acquisition Executive in the following cases:

- a. When consensus cannot be reached at the Department of the Navy level on the acceptability of the proposal.
- b. When consensus cannot be reached at the Department of Defense level on the acceptability of the proposal.

E. Service Acquisition Executive (SAE).

1. The SAE shall directly participate in the review and approval of single process proposals in the following cases:

- a. When consensus cannot be reached at the Department of the Navy level on the acceptability of the proposal.
- b. When consensus cannot be reached at the Department of Defense level on the acceptability of the proposal.

IX. LESSONS LEARNED

A. *Management Councils*

- The question of what constitutes the contractor's "facility" at which proposed single processes will apply must be addressed to establish the scope of a SPI Management Council. The contractor may have multiple facilities within its organization which are not collocated. There can be different DCMC offices responsible for contract administration of these facilities. In other cases the company may need different management and manufacturing processes at its various locations (e.g., operating units, divisions, subsidiary operations) as a normal way of doing business. DCMC and the contractor need to precisely define the facility location(s) the contractor's proposed single processes apply, as this determines customer and DCMC representation on the Management Council as well as the list of applicable contracts.
- Where there is a local DCMC office (former DPRO) at a contractor's facility, a Management Council has been established (either for Reinvention Laboratory, PROCAS, and/or SPI activities). In the case of a DCMC office responsible for many contractors

over a wide geographic area (former DCMAO) this may not be the case. In those instances, the area DCMC office has sent letter invitations to contractors under their cognizance encouraging SPI participation. If this is the case, as Navy Component Team Leader or customer, it is likely a Management Council will be organized and convened only when Concept Papers are submitted. In other words, if the local DCMC is an area office responsible for a large number of contractors, SPI coordination and communications may be less mature than at a DCMC plant office.

- In practice, the SPI Management Council representatives tend to be senior customer officials; however, it is often necessary that Navy customers call on or otherwise involve subject matter experts from their organization or supporting organizations that provide functional expertise to ensure the thorough evaluation of proposed single processes. These subject matter experts maybe invited to Management Council meetings as appropriate, and for working group meetings where issues, questions, and concerns are resolved on Concept Papers as appropriate.

B. Navy Component Team Leader Lessons Learned.

- Identifying Functional Subject Matter Experts. The Navy Component Team Leader will need to ensure that a core group of functional experts is available with technical expertise in the evaluation of management and manufacturing process changes proposed by the contractor.
- Communications with DCMC and Navy Team Members. Perhaps the most challenging aspect of implementing SPI is in maintaining effective communications on SPI activities within the Navy customer community. Once the Navy customer POCs have been established, a Navy Component Team Leader advises all Navy customers of his appointment as the SPI Navy Component Team Leader, outlines planned Management Council meetings, provides details on any ongoing evaluation activity on Concept Papers, and requests support and active participation in SPI activities. It is beneficial for Navy Component Team Leader to issue reminder memoranda to Navy customers on occasions when the local DCMC office distributes Concept Papers for evaluation, send notices of Management Council meetings, distribute block change modifications or correspondence on other SPI initiatives. The Navy Component Team Leader maintains frequent contact with the local DCMC Commander and/or ACO to keep abreast of developments and status of SPI activity at the contractor's facility.
- Block Change Process Time Lines. Component Team Leaders have stressed that all team participants need to complete their respective roles promptly to complete the 120-day block change process. For example, if the Proposal Development phase exceeds its allotted 30 days, this initial delay will cut into the time allocated for the remaining two phases. Component Team Leaders may be asked to complete their reviews in less than 60 days. All participants must be aware that any lengthy delay in any of the steps will severely handicap completion of whole process in the nominal 120 days. However,

meeting the 120-day block change process time line goals ***should not*** be at the expense of an accurate and mission sensitive review of the technical merits of proposed contractor changes.

- Status Updates. It is essential that the SYSCOM SPI POC be kept informed of SPI activities for each contractor facility. This is particularly important if significant disagreements arise within the Navy customer team or between the Services; however, it is worthwhile to keep the SPI POC informed of all SPI activity at the facility, the successes and accomplishments as well.

C. Navy Customers.

- Participation in SPI. Navy organizations that have active contracts with a contractor participating in SPI need to be proactive with the Management Councils Navy buying activities. Navy customers (a) participate in the local DCMC SPI Management Council as a customer representative, (b) are responsive in providing input for the technical assessment of Concept Papers and the evaluation of proposals, (c) respond promptly to the Navy Component Team Leader in the final acceptance of proposals and working issues for resolution, and (d) are an essential team player for the success of SPI. Navy buying command customers ensure their PCOs are kept informed of SPI activity that impacts their contracts. Initial implementation guidance on SPI directs the involvement of only key customers early on Management Councils. In some instances this resulted in customers being out of the communications loop in the review/approval of Concept Papers, or block changes executed affecting their contracts. Certainly key customers have the most at stake in terms of impacts from process changes at contractor facilities; however, all Navy customers should be aware there is an SPI process ongoing at a contractor facility, know who the Navy Component Team Leader is, be fully informed on progress, and have an opportunity to participate to the extent necessary.

X. CURRENT ISSUES

A. Future Solicitations and Follow-on Contracts. Solicitations that contain Government-specified processes need to ensure contractors can propose use of previously accepted, facility-wide SPI processes. DODD 5000.1 requires that, when practicable, performance specifications are used when purchasing new systems, major modifications, and commercial and nondevelopmental items. For new solicitations, Navy requiring activities ensure they use performance requirements or nongovernment standards, allow use of previously accepted SPI processes whenever it makes sense, and/or remove outdated Government specifications/standards and unnecessary Government-specified processes in their requirements documents.

B. SPI Processes Conflicting with Laws and Regulations. Contractors may propose Concept Papers for processes that conflict with existing laws and regulations. These proposed processes cannot be approved by local Management Councils, but should still be evaluated for technical

and business merit. HQ DCMC will review these proposals separately to determine whether the applicable laws and regulations should be waived or changed.

C. Prime and Subcontractor Relationships in SPI. When a contractor is proposing specification and common process changes for prime contracts at his facilities, the prime contractor may also be a subcontractor to other primes. The full benefits of adopting single processes may not be fully realized without implementing these changes across all work at the contractor's facility. When a contractor identifies in a Concept Paper other Navy contracts for which he is a subcontractor as candidates for applicability of process changes, the Navy Component Team Leader ensures the Navy customers for those prime contracts are contacted and included in the technical review of the process changes. The ACO ensure that the cognizant DCMC office and applicable prime contractors are consulted as well. When the Management Council and the prime contractor(s) to which the requester (originator of a Concept Paper) is a subcontractor agree on the change, three conditions exist:

1. If another Government contract must be changed to modify the requirement, the ACO may send the request for contract modification to the cognizant prime contractor ACO along with an assessment of costs or savings. The prime contractor ACO modifies the contract.
2. If another Government contract does not require modification because the requested subcontract change is only a prime contractor requirement, the subcontractor should be advised to request the change from his prime contractor, without further DOD participation.
3. No actions taken can in any way relieve a prime contractor of assuring its subcontractors meet the prime contractors' requirements.

FOR ADDITIONAL INFORMATION ON NAVY SPI IMPLEMENTATION, CONTACT **Mr. Victor E. Jordan**, [Jordan_Vic@acq-ref.navy.mil]